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MONTHLY PROJECTIONS
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SLOW GROWTH TO PERSIST THROUGH 1987

In recent weeks two diametrically opposed forecasts of future economic activity have been released. According to analysts at Merrill Lynch the weakness that already is apparent in the southwest and is also reflected in capital spending as a result of plunging oil prices will begin to spread. Consumer spending, which has been at a brisk 6% rate after adjustment for inflation will be forced to slow dramatically. Even housing will have no growth opportunities, as the southwest slump will not be offset by any strengthening of activity elsewhere. Although modest economic expansion of the 1.1% variety that appeared during the spring could be achieved this summer, according to Merrill Lynch, this will be caused by the absence of further inventory liquidation as producers fail to anticipate the developing sales slump. A recession could then begin during the fourth quarter.

The Administration's midyear update concedes that economic activity will not reach their 4% projections (growth was only 2.4% during the first half). However, increasing economic strength is expected to propel the economy to a 4½% rate of expansion in 1987. Although most economists believe this forecast is too high, most forecasts agree that falling energy prices, declining interest rates, and projected improving trade balances in response to a declining dollar should lead to more rapid economic growth in the months ahead. Unstated but also contained in the analysis is the belief that money growth has been sufficient to restimulate the U.S. economy.

Economic activity almost certainly will rebound from the second quarter's 1.1% growth unless final sales collapse, as envisioned by Merrill Lynch. Major areas of weakness in the second quarter were expenditures on structures, most of which reflected the collapse in oil and gas exploration, reductions in inventory accumulation, and a substantial decline in trade balances. While further weakness should be anticipated in oil exploration, rig counts already were below 700 at the end of the quarter. Indeed, a rebound in active rigs by 29 to 692 by mid-July may indicate that weakness in oil exploration is approaching a trough. Structures almost certainly will decline further during the summer months, but they are not expected to fall by the $16 billion after inflation that occurred

during the spring. A $20 billion decline in trade balances reflected a surge in imports of petroleum products. Such a substantial increase in imports should not develop in the third quarter, as renewed price declines in oil products are discouraging inventory holdings. Finally, although inventory investments could slow further during the third quarter, they are unlikely to slow by another $25 billion. If they did, the economy would actually be experiencing significant inventory liquidation.

It should also be noted that economic activity in June was significantly reduced by a major labor dispute in the communications industry. Nearly $3 billion of wage income was lost in June because of strike activity. Of course, strike activity could again reduce economic activity in August as a result of stoppages in the steel industry.

For the Merrill Lynch outlook to be correct, obvi s improving sectors must be offset by previously strong areas that are weakeni g. Housing certainly ranks as one of those areas beginning to show strain. After averaging nearly 2 million starts during the first quarter, starts have fallen to 1.845 million in June. Permits also have slumped by 140,000 from their April peak. Some of this weakness reflects the slump in housing activity in the southwest. Some of it shows the beginning of apprehension in the rental markets as a result of anticipated tax reforms. Both those factors will be subtracting from housing for the remainder of this year and into 1987. However, some of the weakness in single family starts reflects a backlog of finance that developed during the spring when mortgage rates fell below 10%. The surge in refinancing overwhelmed financial institutions and pushed some new sales contracts out of the way. This backlog is diminishing and should cause a modest rebound in sing.e family starts into the fall. Nevertheless, real construction spending probably has already peaked for this year and will decline by at least 10% next year.

Spending by governmental entities also should grow slowly. Attempts to substantially lower budgetary deficits in the United States should lead to more sluggish spending programs by the federal government. In addition, budgetary problems in the southwest will sharply restrain public spending there. However, lower oil prices are reducing some spending burdens in other parts of the country. Nevertheless, government support for the economy should be slowing during the next year.

Not only is budgetary spending expected to provide less support for economic growth in the next year, but tax reform may lead to a tax increase in 1987 if the staggered initiation of tax changes remains in the legislation. (The conference committee is trying desparately to make the base-widening and rate reduction coincide, but there might not be enough revenue to permit such a result). Staggered taxes would lead to more modest capital spending and weaker consumer spending than otherwise would prevail.

While previous strengths in government spending and housing activity almost certainly will diminish, they will not be sufficient to offset the developing strengths in the trade account, in inventory changes, and in diminished reductions in oil exploration.

Therefore, the Merrill Lynch forecast can only be correct if consumer spending significantly slows over the next six months. Some slowing appears to be inevitable, as the savings rate is at a relatively low 4.5% and consumer debt

continues to grow nearly twice as rapidly as consumer income. Furthermore, personal income has been aided by significant farm subsidy payments. These payments almost certainly will diminish during the second half of 1986. Although oil prices appear to be falling again during the summer months, they eventually will reach a low point from which price increases can be anticipated. At that point, real purchasing power will be sharply restrained. At the same time that the ability to purchase should grow more slowly, the desire to purchase may also taper off. Automobile sales already are at 11 million on the basis of significant financing incentives. Those incentives probably will not get richer while rising prices for imports and, to a lesser extent, domestic units should gradually reduce auto sales. Household durables also should begin slowing about six months after housing activity begins to slow. Thus, spending on consumer durables should show little growth over the next year despite a 9% surge in orders for household durables in June. In short, weakness in consumer spending should begin to materialize. In fact, Christmas activity should be relatively sluggish. While the foundations for the Merrill Lynch forecast can be constructed by diminishing the rebound in the areas gaining strength and increasing weakness in the areas that are slowing, our projections cannot generate the degree of pessimism expressed in that forecast.

Needless to say, the Administration's forecast simply ignores any of the potential areas of weakness. They rely upon a significant improvement in the trade accounts despite little evidence that the dollar's falling value has materially affected domestic prices. Generally, trade balances take up to a year to respond to changes in international competitiveness. However, international competitiveness has not yet significantly responded to changes in the dollar's value. This delayed response in changing the competitiveness of American producers almost certainly delays the trade response as well. While the trade accounts almost certainly will be improving over the next year, administration projections are excessively optimistic.

If neither a significant rebound nor a substantial collapse can be generated by prevailing conditions, it appears that enough sectors will be strengthening to offset those sectors that will be weakening. Therefore, a continuation of 2.5% growth appears likely well into 1987.

Quarterly Profile of GNP

	1986-1	1986-2	1986-3	1986-4	1987-1	1987-2	1986 Annual
Real:	3.8	1.1	3.3	1.4	1.7	2.7	2.7
Price:	2.5	2.1	2.7	3.9	4.2	4.0	2.8
Nominal:	6.2	3.2	6.2	5.4	5.9	6.9	5.5

Monthly Statistical Highlights for July 1986

Payroll employment +304,000; index of hours worked +0.4%; household employment +122,000; civilian unemployment rate 7.1%; personal income +0.4%; savings rate 4.3%; personal consumption +0.5%; retail sales +0.2%; auto sales 10.9 million; housing starts -0.3%; housing permits -1.2%; construction expenditures -0.4%; business inventories +0.0%; orders for durable goods -0.5%; orders for nondefense capital goods +1.8%; industrial production +0.5%; CPI +0.1%; PPI -0.4%; consumption deflator +0.3%; leading indicators +0.2%; real GNP +5.3%; M1 +16.2%; M2 +8.4%.

Monthly Statistical Highlights For August 1986

Payroll employment +161,000; index of hours worked +0.2%; household employment +181,000; civilian unemployment rate 7.0%; personal income +0.4%; savings rate 4.3%; personal consumption +0.5%; retail sales +0.5%; auto sales 11.0 million; housing starts +0.8%; housing permits -1.2%; construction expenditures -0.3%; business inventories +0.1%; orders for durable goods +1.6%; orders for nondefense capital goods +1.8%; industrial production +0.2%; CPI +0.1%; PPI -0.2%; consumption deflator +0.1%; leading indicators +0.2%; real GNP +2.3%; M1 +7.9%; M2 +7.3%.

COMMENTARY

Employment - Although a return to work by AT&T workers will generate a surprisingly large increase in payroll employment, gains will only be 133,000 after strike factors are excluded. This compares with an 89,000 gain before strike conditions in June. Strike activity will again distort employment and economic activity in August as a result of looming steel strike problems.

According to insured unemployment rates, unemployment could increase slightly in July although our current projections suggest little change.

Personal Income & Outlays - Reduced farm subsidies led to little change in personal income during June. Further erosion in farm subsidies is expected in July, but this should be offset by significant gains in wage and salary employment. Property income is growing at a relatively slow $1 billion per month, but no speed up in that sector is expected until interest rates rebound.

Data revisions led to significantly greater gains in disposable income than originally projected. While some of this increased spending potential was utilized in purchasing higher levels of service expenditures, a significant portion of it was saved. As a result, savings rates have not been as low as originally

projected. In particular, a significant upward revision occurred in property income. However, the falloff in property income growth should be reflected in reduced savings during the next several months.

Although services received most of the benefit from GNP revisions, retail sales were also revised sharply upward for May and April. These upward revisions were both in nondurables and the nonauto component of durables. To some extent, the upward revisions in durables were reflected in the expenditures data. However, increases in nondurable retail sales activity were not reflected in the non-durable expenditures.

Construction - Construction expenditures were revised significantly upward as a result of upward revisions in residential spending. Public construction also was revised upward slightly. However, nonresidential construction appears to be dropping sharply as a result of weakness in both industrial and commercial activities. Industrial activity is expected to strengthen slightly but further weakness is projected for commercial construction.

Housing activity has been restrained by the financing backlog. However, hopes that no significant changes in tax codes would materialize have vanished. This already is causing housing permits to slump and will soon cause a significant decline in rental property activity. In June, multiple family starts were at 622,000 units. A year from now, as a result of the impact of tax reform, those starts are expected to be at 533,000 units.

Although the construction deflator was rebenchmarked to a 1982 average of 100, the surge in construction costs did not moderate. Because of rapid growth in construction prices, the GNP deflator is expected to increase 2.8% in 1986. This will be substantially greater than the 1.8% advance expected for the CPI.

Business Activity - Both defense shipments and orders rebounded sharply in June. Orders now are nearly $2 billion above shipments. A correction in defense orders almost certainly will materialize next month. On the other hand, shipments of nondefense capital goods are nearly $0.5 billion above orders despite a rebound in orders during June. Further growth in both orders and shipments are anticipated until the beginning of 1987. However, gains in capital spending are expected to slow significantly in the second half of 1986 before they decline modestly in 1987.

Increases in communications equipment activity at the end of the AT&T strike should cause a significant rebound in the business equipment component of industrial production. Slight increases in activities for business materials and utilities should more than offset continuing weakness in the mining areas. As a result, industrial production is expected to expand by 0.5% in July.

Prices - GNP revisions tended to raise the consumption deflator slightly as higher price increases for services were only partially offset by lower prices for consumer durables. Service prices should increase sharply in the next few months as the result of an unexpected increase in prices of utilities in June. Nevertheless, further significant price increases for utilities are not warranted by economic pressures and should not materialize in the months ahead. Because of declining oil prices, the Consumer Price Index is expected to show only very modest increases in July and August. The Producers' Price Index for finished goods should decline. However, increasing meat prices will blunt the magnitude of this price weakness.

Miscellaneous - According to estimates of monthly GNP movements following the quarterly GNP revisions, it appears that all the strength during the second quarter occurred in April. A similar pattern is expected to develop in the third quarter, when a post-strike rebound in GNP during July will show little further strengths in subsequent months. Once oil prices stabilize in the fourth quarter, GNP growth is expected to slow significantly, at least until the spring of 1987.

Financial Markets

The yield curve once again has become steeper as long term interest rates have moved upward even as short term interest rates have continued to fall. It is noteworthy that commercial paper rates are significantly below federal funds rates in July. Thus, inventory liquidations probably are continuing. Of course, an inventory rebound later in the year along with renewed accumulation of oil products should once again strengthen short term rates. It is possible that the increase in long term rates reflects the probability of higher short term rates late this year and early next year. More likely, however, it is the concern over government refinancing. There is a growing concern that foreign investors will be increasingly reluctant to invest in long term government instruments in the United States. While foreign investors do not see a resurgence of inflationary pressures, they see a reduced willingness by the Federal Reserve to support the dollar's value. As a result, their expected rates of return from dollar denominated investments has sharply diminished. This shift in foreign investors' sentiment will be especially noteworthy in government securities, where the spread should narrow relative to corporate instruments.

Interest rates should not be demonstrating significant upward pressures at the present time. The government's deficit is increasing, but only marginally. When the impact of state and local governments are included, borrowings by all governments are not increasing at the present time. Corporate borrowings remain relatively sluggish, although inventory rebuilding sometime in the third quarter could increase those borrowings modestly. Of course, corporate earnings remain relatively weak although productivity gains are reappearing. Thus, the loss of corporate profitability is not expected to be dramatic. Only the household sector is showing a diminished net supply to the credit markets. As the financing backlog diminishes, increased mortgage borrowings for new homes should reappear. In addition, households are expected to marginally reduce their rates of savings during the summer months. On balance, however, conditions are favorable for further reduction in interest rates.

It is apparent that rapid money growth is not affecting transactions activity. Evidence is mounting to demonstrate that changes in interest rates substantially increased the demand for checkable deposits. These gains are also forcing the Federal Reserve to accommodate by increasing available reserves. Indeed, the increased demand for checkable deposits as savings instruments suggests that such an accommodation by the Federal Reserve is warranted. If the Federal Reserve had followed a money rule instead of looking at economic performance, it would have engineered a severe slump by the present time. Stability of the checkable deposits equation is open to serious doubts following the recent performance of that instrument.

Equity Markets - The equity markets continue to be buffeted by transitional problems associated with the tax reform legislation. The tax rate on capital

gains may appreciate significantly, leading to significant equity sales. In addition to tax-selling problems, the stock market must contend with rising long term interest rates. This increase in long term rates appears to be the result of changing investors' sentiments by foreign investors. As a result, equity values probably will continue to correct until the stock market reaches a 1650 value on the Dow.

Despite our short term concerns about equity values, our projections indicate that interest rates will not be thwarting increased equity values in 1987. In addition, continued moderation in wage demands and reasonably strong productivity gains suggest that profits will grow. As a result, a 9% increase in equity values currently is projected in 1987, which should take the Dow Jones to the vicinity of 2300. Buying opportunities may surface on both the equity and bond market as early as the end of the summer months.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	99496	99290	119.1	117.8	108955	108955	6.7	6.7	167.4	167.3
February	99649	99429	118.5	117.5	108561	108561	7.2	7.3	168.4	168.2
March	99841	99484	118.9	117.4	108788	108788	7.2	7.2	168.8	168.5
April	100029	99783	119.2	117.8	109024	108892	7.1	7.1	169.2	168.4
May	100296	99908	119.5	117.7	109265	109110	7.0	7.3	169.3	168.6
June	100563	99819	119.8	117.5	109512	109673	7.0	7.1	169.5	169.4
July	100778	100123*	120.1	118.0*	109773	109795*	6.9	7.1*	170.2	169.6*
August	100972	100284	120.5	118.2	109975	109976	6.8	7.0	170.8	170.0
September	101065	100443	121.0	118.4	110178	110164	6.7	7.0	171.4	170.5
October	101397	100621	121.2	118.6	110418	110361	6.7	6.9	171.9	170.9
November	101649	100802	121.4	118.8	110753	110575	6.6	6.9	172.5	171.3
December	102015	100994	121.6	119.0	111130	110795	6.5	6.9	173.1	171.8
January 1987	102098	101166	121.8	119.2	111275	110959	6.5	6.8	173.5	172.3
February	102197	101322	121.9	119.4	111356	111136	6.5	6.8	173.9	172.7
March	102295	101468	122.0	119.5	111439	111312	6.4	6.8	174.4	173.2
April	102468	101637	122.2	119.7	111694	111502	6.4	6.7	174.9	173.8
May	102705	101759	122.5	119.8	111918	111642	6.3	6.7	175.4	174.3
June	102921	101913	122.8	120.0	112142	111783	6.3	6.8	176.0	174.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	3.387	3.418	2.027	2.038	124.7	145.0	2.882	2.921	2.758	2.776
February	3.401	3.435	2.034	2.045	125.7	142.0	2.896	2.937	2.771	2.795
March	3.407	3.445	2.044	2.052	122.9	149.8	2.904	2.948	2.781	2.798
April	3.432	3.485	2.052	2.053	127.8	182.4	2.926	2.987	2.788	2.805
May	3.429	3.476	2.062	2.056	127.3	151.6	2.921	2.976	2.794	2.824
June	3.435	3.479	2.073	2.063	124.0	133.2	2.928	2.975	2.805	2.842
July	3.459	3.494*	2.081	2.075*	121.9	128.6*	2.944	2.986*	2.822	2.857*
August	3.482	3.509	2.092	2.085	121.7	124.6	2.962	2.997	2.841	2.872
September	3.506	3.527	2.103	2.096	121.7	126.3	2.981	3.012	2.860	2.885
October	3.526	3.540	2.113	2.106	118.7	127.3	2.996	3.025	2.878	2.898
November	3.547	3.556	2.125	2.115	120.7	127.2	3.012	3.038	2.892	2.910
December	3.569	3.575	2.137	2.127	123.0	125.8	3.029	3.053	2.906	2.927
January 1987	3.575	3.590	2.148	2.138	120.7	124.3	3.042	3.069	2.922	2.945
February	3.598	3.607	2.158	2.149	120.6	126.3	3.061	3.085	2.940	2.959
March	3.633	3.622	2.168	2.158	132.4	123.5	3.090	3.097	2.958	2.974
April	3.640	3.643	2.179	2.171	116.6	121.7	3.094	3.115	2.977	2.993
May	3.649	3.659	2.187	2.180	104.8	119.5	3.098	3.127	2.993	3.008
June	3.659	3.680	2.196	2.193	96.7	122.4	3.104	3.145	3.009	3.023

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	2659.6	2684.7	368.8	364.9	933.9	925.4	1356.9	1394.6	2337.3	2351.6
February	2671.5	2703.1	364.0	365.5	935.0	927.6	1372.5	1410.0	2357.5	2377.5
March	2680.8	2705.9	354.4	352.0	948.6	936.1	1377.8	1417.6	2374.4	2389.0
April	2687.0	2712.0	365.0	369.7	936.4	920.4	1385.6	1421.9	2382.1	2396.1
May	2692.3	2731.0	366.2	378.9	930.2	925.6	1395.9	1426.5	2378.4	2407.6
June	2706.1	2747.3	364.7	375.4	935.1	931.9	1406.3	1439.9	2380.0	2397.7*
July	2723.5	2762.4*	369.8	374.5*	939.2	936.6*	1414.5	1451.3*	2389.0	2423.4
August	2736.4	2776.6	371.6	377.6	943.8	938.4	1421.0	1460.6	2396.1	2433.2
September	2750.0	2788.7	374.1	379.9	948.3	940.3	1427.6	1468.5	2403.8	2434.9
October	2769.3	2800.5	376.8	381.0	955.7	943.6	1436.8	1475.9	2412.3	2437.3
November	2786.4	2812.3	379.2	380.7	960.3	947.0	1446.9	1484.6	2414.6	2441.0
December	2798.5	2828.4	380.6	382.0	960.7	950.1	1457.2	1496.3	2412.5	2445.3
January 1987	2813.7	2845.1	381.9	384.2	966.5	955.2	1465.3	1505.7	2419.3	2449.6
February	2830.0	2858.4	381.6	385.2	973.8	959.4	1474.6	1513.8	2425.0	2452.5
March	2846.9	2872.5	381.0	384.7	981.4	965.2	1484.5	1522.6	2431.2	2458.8
April	2867.7	2891.0	387.4	388.0	986.5	971.3	1493.8	1531.7	2440.6	2467.5
May	2880.4	2904.9	386.7	387.2	990.7	976.3	1503.0	1541.4	2441.0	2469.1
June	2890.7	2919.2	386.8	388.4	991.6	980.3	1512.3	1550.5	2439.4	2471.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	117.35	117.35	17.86	17.86	11.5	11.5	73.16	73.16	26.33	26.33
February	117.45	117.20	17.97	17.91	10.6	10.9	73.25	73.25	26.04	26.04
March	116.17	116.68	18.07	18.25	9.7	9.7	73.19	73.41	24.83	25.03
April	116.43	117.72	18.05	18.52	10.6	11.0	72.25	72.84	26.13	26.36
May	116.10	118.52	18.12	18.38	10.5	11.3	71.77	73.19	26.21	26.95
June	116.40	118.70	18.20	18.25	10.4	11.0	72.15	73.30	26.05	27.16
July	116.94	118.97*	18.36	18.36*	10.4	10.9*	72.47	73.67*	26.11	26.94*
August	116.97	119.49	18.53	18.52	10.2	11.0	72.82	73.81	25.62	27.16
September	117.62	119.92	18.62	18.60	10.3	11.1	73.17	73.96	25.83	27.36
October	118.51	120.31	18.60	18.76	10.5	11.0	73.74	74.22	26.17	27.33
November	119.34	120.54	18.72	18.88	10.8	10.8	74.09	74.49	26.53	27.17
December	119.54	120.94	18.79	18.93	10.8	10.8	74.12	74.73	26.63	27.28
January 1987	120.14	121.60	19.02	18.94	10.7	10.9	74.57	75.13	26.55	27.53
February	120.67	121.06	19.07	19.01	10.6	10.9	75.13	75.46	26.47	27.59
March	121.19	122.46	19.15	19.06	10.5	10.8	75.72	75.92	26.32	27.48
April	122.34	123.34	19.31	19.13	10.9	10.9	76.11	76.40	26.92	27.81
May	122.59	123.63	19.42	19.27	10.7	10.7	76.44	76.79	26.73	27.57
June	122.67	124.09	19.58	19.30	10.5	10.7	76.51	77.11	26.58	27.68

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	2.034	2.034	1.335	1.335	1.899	1.861	356.1	373.4	206.9	337.7
February	1.997	2.001	1.204	1.202	1.803	1.808	360.5	373.9	209.2	338.3
March	1.949	1.960	1.212	1.221	1.846	1.834	367.2	368.0	212.5	331.8
April	1.966	2.019	1.256	1.242	1.833	1.885	368.4	371.6	212.6	331.8
May	1.940	1.861	1.237	1.247	1.792	1.788	370.6	374.7	213.1	331.6
June	1.950	1.845	1.254	1.223	1.796	1.745	372.8	372.9*	213.8	328.3*
July	1.948	1.840*	1.270	1.215*	1.813	1.724*	374.0	371.4	213.7	325.2
August	1.923	1.854	1.281	1.237	1.756	1.703	376.0	370.3	214.1	322.8
September	1.874	1.831	1.268	1.253	1.721	1.669	376.9	369.9	214.0	320.8
October	1.882	1.796	1.260	1.250	1.695	1.643	378.5	369.4	214.3	319.0
November	1.875	1.783	1.258	1.241	1.704	1.655	379.0	368.3	213.9	317.0
December	1.847	1.715	1.235	1.196	1.688	1.584	379.2	367.2	213.3	314.9
January 1987	1.761	1.697	1.172	1.172	1.615	1.562	378.9	364.3	212.5	311.6
February	1.719	1.650	1.146	1.154	1.567	1.526	378.5	362.4	211.7	309.0
March	1.698	1.639	1.141	1.162	1.528	1.483	377.6	360.5	210.5	306.0
April	1.694	1.652	1.129	1.153	1.533	1.521	375.6	359.2	208.8	303.9
May	1.698	1.656	1.122	1.129	1.539	1.524	374.0	358.5	207.2	302.5
June	1.691	1.676	1.127	1.143	1.552	1.543	371.8	359.2	205.4	302.4

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	135.4	142.0	68.1	68.0	152.6	163.4
February	137.8	141.0	66.9	68.3	155.8	164.7
March	138.6	133.3	67.3	69.2	161.3	165.6
April	139.1	133.4	67.6	70.5	161.7	167.8
May	139.6	130.5	68.0	74.4	163.0	169.8
June	140.2	130.7*	68.2	73.7*	164.4	168.5*
July	140.0	129.5	68.5	73.9	165.5	168.0
August	140.3	129.3	68.9	74.3	166.8	166.7
September	139.7	128.6	69.3	74.0	167.9	167.3
October	140.5	128.5	69.8	73.9	168.2	167.0
November	140.9	127.6	70.1	74.5	168.0	166.2
December	141.0	127.0	70.5	74.9	167.7	165.3
January 1987	141.2	126.3	70.7	75.2	167.0	162.8
February	141.3	126.6	70.9	75.5	166.3	160.3
March	141.1	127.2	70.9	75.3	165.6	158.0
April	141.2	126.6	71.2	75.8	163.2	156.8
May	141.4	126.1	71.4	76.1	161.2	156.3
June	141.1	125.8	71.4	76.5	159.3	156.9

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	280.4	280.4	108.46	108.19	24.55	24.29	25.60	25.35
February	279.5	279.2	107.82	107.55	28.91	28.64	26.86	26.56
March	278.7	279.6	105.07	104.68	27.02	26.54	27.82	27.30
April	278.2	279.4	105.09	103.75	27.20	26.18	27.40	27.36
May	279.0	278.4	106.01	102.62	27.63	26.15	27.58	26.58
June	280.3	278.2*	105.84	104.77	27.85	26.74	27.76	27.22
July	281.1	278.5	107.13	104.25*	28.46	26.95*	27.85	27.25*
August	282.2	278.8	106.67	105.93	28.40	27.43	27.97	27.30
September	283.2	279.3	108.23	106.67	28.86	27.56	28.09	27.39
October	284.4	280.0	108.84	106.46	29.16	27.45	28.35	27.40
November	286.3	280.7	109.28	107.23	29.33	27.71	28.63	27.46
December	287.4	281.9	108.89	106.85	29.30	27.52	28.91	27.51
January 1987	288.8	283.0	108.37	105.47	29.21	27.16	29.05	27.38
February	290.3	284.3	109.52	106.35	29.34	27.43	29.11	27.44
March	292.5	285.5	109.76	106.67	29.22	27.21	29.17	27.25
April	294.9	286.9	108.83	106.05	29.12	27.05	29.35	27.33*
May	296.2	288.2	108.72	105.78	29.18	26.94	29.48	27.23
June	298.0	289.5	108.85	105.64	29.30	26.86	29.61	27.16

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	585.0	585.0	7.03	7.03	126.6	126.7	80.7	80.8
February	585.1	585.2	7.58	7.58	125.7	125.6	80.0	79.9
March	585.8	587.7	7.27	7.08	125.1	124.4	79.4	79.0
April	587.0	588.6	7.40	7.33	125.5	125.2	79.5	79.4
May	588.1	586.6	7.49	7.49	125.8	124.7	79.5	78.9
June	589.9	585.4*	7.59	7.83	126.4	124.1	79.7	78.3
July	591.2	585.6	7.68	7.92*	127.2	124.7*	80.0	78.5*
August	593.5	586.3	7.85	7.98	127.8	125.0	80.2	78.6
September	595.7	587.7	8.05	8.07	128.4	125.2	80.4	78.6
October	598.2	588.9	8.01	8.00	128.6	125.3	80.4	78.4
November	600.3	590.9	8.07	8.13	128.8	125.5	80.4	78.4
December	602.4	593.3	8.18	8.20	129.0	125.6	80.3	78.2
January 1987	605.8	596.1	8.25	8.29	128.9	125.8	80.1	78.2
February	609.9	597.8	8.33	8.35	129.1	126.1	80.1	78.3
March	613.9	599.5	8.40	8.43	129.2	126.3	80.0	78.3
April	617.1	602.4	8.38	8.50	128.8	126.4	79.7	78.2
May	620.8	605.8	8.45	8.49	128.5	126.5	79.4	78.1
June	623.3	609.2	8.52	8.57	128.2	126.5	79.1	77.8

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	329.0	329.0	296.3	296.1	324.0	323.8	113.9	113.6
February	327.7	327.7	291.7	291.7	319.4	318.9	113.8	113.5
March	326.4	326.3	288.6	288.6	314.0	314.0	113.4	113.4
April	325.5	325.4	287.1	286.8	209.6	311.3	113.6	113.5
May	325.9	326.0	287.8	288.6	310.9	311.7	113.9	113.8
June	326.6	327.6	288.5	288.5	312.3	311.6	114.2	114.9
July	327.7	327.9*	290.3	287.4*	313.4	309.2*	114.4	114.6
August	328.8	328.2	291.0	287.0	314.7	309.9	114.7	114.8
September	330.0	329.4	291.7	288.1	331.6	308.3	115.0	115.2
October	331.0	330.6	292.3	289.5	315.8	310.6	115.4	115.6
November	331.9	331.5	293.5	290.1	316.1	311.4	115.8	115.9
December	332.8	332.8	294.5	291.3	316.5	312.2	116.2	116.4
January 1987	334.3	334.1	295.2	292.4	317.0	313.0	116.7	116.8
February	335.9	335.4	295.9	293.5	317.8	313.8	117.1	117.2
March	337.5	336.1	296.6	293.6	318.5	313.4	117.5	117.5
April	338.6	337.1	297.3	294.3	319.4	314.0	117.9	117.9
May	339.7	338.4	298.1	295.3	320.3	314.8	118.3	118.3
June	340.6	339.9	298.9	296.6	321.2	316.2	118.7	118.8

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	113.8	114.1	104.9	104.7	109.8	109.7	119.5	120.3	172.1	110.6
February	113.3	113.7	105.0	104.7	108.1	107.9	119.8	120.6	172.3	110.6
March	112.9	113.3	105.0	104.0	106.8	106.5	120.3	121.0	172.8	110.9
April	112.8	113.2	105.2	104.4	106.1	105.6	120.6	121.5	173.3	112.0
May	113.2	113.4	105.3	104.9	106.0	105.8	121.0	121.7	173.9	113.0
June	113.7	113.7*	105.5	105.1*	106.2	105.9*	121.4	122.1*	174.4	113.6*
July	114.0	114.0	105.6	105.4	106.4	105.8	122.0	122.7	175.0	114.2
August	114.2	114.1	105.7	105.7	106.5	105.5	122.7	123.1	175.6	114.7
September	114.4	114.5	105.8	105.9	106.7	106.0	123.4	123.5	176.1	115.3
October	114.8	114.9	106.1	106.3	107.1	106.3	123.8	123.9	176.6	115.8
November	115.4	115.2	106.4	106.6	107.6	106.7	124.1	124.1	177.2	116.2
December	116.0	115.7	106.7	106.9	108.1	107.1	124.5	124.6	177.8	116.6
January 1987	116.3	116.1	107.0	107.2	108.4	107.5	125.0	125.2	178.3	116.9
February	116.7	116.6	107.3	107.5	108.7	107.7	125.6	125.8	178.8	117.3
March	117.1	116.8	107.6	107.7	109.0	108.0	126.1	126.3	179.4	117.8
April	117.5	117.2	107.9	108.0	108.9	108.0	126.7	126.7	179.9	118.2
May	118.0	117.6	108.2	108.3	109.0	108.5	127.3	127.2	180.5	118.5
June	118.5	118.1	108.5	108.6	109.2	108.9	128.0	127.8	181.0	118.8

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	-14.93	-15.00	174.1	173.4	4116	4153	3614	3656	0.8	1.6
February	-14.21	-11.16	175.4	175.2	4115	4147	3616	3654	13.3	14.8
March	-14.03	-13.06	176.4	176.2	4118	4147	3631	3657	27.9	32.2
April	-12.73	-14.02	177.3	178.5	4127	4167	3633	3671	30.3	19.6
May	-12.52	-14.27p	178.2	178.8	4156	4173	3649	3667	14.2	2.8
June	-12.32	-12.46*	178.4	179.2	4203	4207	3680	3661	6.2	-7.7
July	-11.96	-12.29	178.2	179.5*	4221	4230	3690	3691	1.6	-3.2
August	-12.06	-12.37	177.5	179.9	4241	4245	3697	3698	-3.5	2.7
September	-12.20	-12.04	178.0	179.7	4262	4261	3706	3699	-8.3	7.3
October	-12.15	-11.89	178.3	179.5	4288	4275	3716	3698	-8.0	4.2
November	-12.03	-11.76	178.7	179.9	4315	4302	3726	3712	-7.2	1.6
December	-11.90	-11.55	178.3	179.6	4342	4328	3737	3718	-6.5	-2.7
January 1987	-11.95	-11.72	177.2	179.1	4363	4347	3739	3722	-8.6	-3.9
February	-11.91	-11.75	177.3	179.0	4385	4360	3745	3720	-10.9	-6.6
March	-11.86	-11.61	176.8	178.8	4406	4386	3750	3733	-12.5	-8.1
April	-11.80	-11.25	176.1	178.9	4424	4418	3752	3747	-12.1	-4.3
May	-11.72	-11.43	175.5	178.5	4440	4437	3753	3751	-11.6	-4.9
June	-11.64	-11.16	175.3	178.0	4455	4459	3753	3753	-11.4	-7.2

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	235.8	235.7	627.2	627.2	2568.5	2569.1	8.14	8.14	7.16	7.16
February	237.8	237.7	631.0	631.1	2576.3	2576.8	7.86	7.86	7.11	7.11
March	239.0	238.7	638.4	638.4	2590.4	2591.3	7.48	7.48	6.57	6.57
April	240.2	239.9	642.3	646.1	2607.4	2621.6	7.07	6.99	6.33	6.08
May	241.2	242.3	645.3	658.6	2622.3	2647.0	7.04	6.85	6.22	6.19
June	242.3	244.2	648.4	666.3	2637.1	2667.3	6.99	6.92	6.12	6.27
July	244.2	245.6*	653.3	674.7*	2653.2	2685.2*	6.89	6.58*	6.23	5.85*
August	245.7	246.9	658.0	679.0	2675.1	2700.2	6.78	6.32	6.35	5.77
September	247.2	248.0	662.7	682.0	2697.0	2713.7	6.95	6.38	6.46	5.86
October	248.8	249.3	664.5	685.6	2710.2	2727.9	7.26	6.28	6.59	5.77
November	250.1	250.5	666.0	689.1	2720.1	2741.9	7.32	6.39	6.68	5.88
December	251.4	251.8	667.6	692.5	2730.0	2755.6	7.38	6.51	6.77	6.03
January 1987	252.6	253.2	672.0	696.3	2749.8	2770.3	7.42	6.55	6.85	6.13
February	253.7	255.0	676.9	701.3	2769.2	2786.9	7.46	6.34	6.83	5.89
March	254.9	256.8	681.8	705.7	2782.6	2804.3	7.50	6.28	6.78	5.76
April	256.3	258.2	682.5	708.8	2796.6	2818.3	7.32	6.47	6.65	5.93
May	257.4	259.8	683.4	713.2	2809.2	2835.6	7.20	6.69	6.59	6.12
June	258.5	261.1	684.2	716.5	2822.1	2852.6	7.11	6.77	6.53	6.21

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1986	10.05	10.05	8.08	8.08	7.71	7.71	7.82	7.82	9.50	9.50
February	9.67	9.67	7.44	7.44	7.63	7.63	7.69	7.69	9.50	9.50
March	9.00	9.00	7.08	7.08	7.20	7.20	7.24	7.24	9.10	9.10
April	8.74	8.79	7.28	7.20	6.98	6.60	7.06	6.60	8.69	8.83
May	8.89	9.09	7.47	7.54	6.95	6.62	7.02	6.65	8.50	8.50
June	8.75	9.13	7.31	7.87	6.98	6.71	7.05	6.73	8.50	8.50
July	8.98	8.93*	7.59	7.52*	6.85	6.32*	6.93	6.38*	8.50	8.14*
August	9.07	8.77	7.66	7.39	6.80	6.25	6.89	6.35	8.50	8.00
September	9.05	8.86	7.63	7.49	6.96	6.41	7.11	6.50	8.50	8.00
October	9.26	8.73	7.82	7.35	7.33	6.24	7.42	6.35	8.67	8.00
November	9.35	8.92	7.89	7.56	7.38	6.37	7.50	6.46	9.00	8.00
December	9.41	9.13	7.92	7.76	7.45	6.55	7.58	6.68	9.00	8.00
January 1987	9.43	9.22	7.95	7.86	7.48	6.63	7.56	6.75	9.00	8.00
February	9.39	9.06	7.83	7.65	7.52	6.32	7.63	6.45	9.00	8.00
March	9.35	8.87	7.78	7.45	7.46	6.23	7.60	6.34	9.00	8.00
April	9.29	8.98	7.66	7.59	7.25	6.51	7.41	6.60	9.00	8.00
May	9.26	9.14	7.62	7.77	7.16	6.73	7.36	6.89	9.00	8.17
June	9.28	9.06	7.65	7.66	7.07	6.75	7.21	6.87	9.00	8.50

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